

Joseph DiBella
Regulatory Counsel



1515 North Courthouse Road
Suite 500
Arlington, VA 22201
Phone 703 351-3037
Fax 703 351-3676
joseph.dibella@verizon.com

January 6, 2002

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: **WC Docket No. 02-237; Verizon Telephone Companies Section 63.71
Application to Discontinue Expanded Interconnection Services
Through Physical Collocation.**

Dear Ms. Dortch:

In its reply comments, Verizon demonstrated that customers who have purchased physical collocation under the federal expanded interconnection tariffs would reap substantial savings if the Commission granted Verizon's 214 application. Several collocators dispute the Verizon calculation of savings as applied to them. *See Allegiance and Focal Ex Parte Letter* (filed Dec. 18, 2002); *AT&T Ex Parte Letter* (filed Dec. 19, 2002).¹ But they base their arguments on presumptions that are inconsistent with the facts. Ironically, in fact, under Verizon's proposal, two of these carriers (*Allegiance* and *AT&T*) stand to reap the highest savings of any collocators with FCC arrangements.

¹ AT&T, *Allegiance* and *Focal Communication Corp.* repeat other arguments that Verizon has already rebutted in its October 3, 2002, reply comments and need not repeat here. For instance, AT&T continues to complain about the costs of "coerced" conversion to state charges, even though Verizon has made it clear that no customer with a "grandfathered" federal expanded interconnection arrangement would be forced to convert that arrangement to a state arrangement. *See, e.g., Verizon Reply Comments*, 3-4. Verizon also explained this in materials it distributed informally to the collocators to answer potential questions about the section 214 filing. *See, e.g., Attachment 1.*

AT&T continues to deny that Verizon's proposal will substantially reduce its costs for power to expanded interconnection arrangements, but offers no facts to dispute Verizon's specific calculations of AT&T's potential savings. The other carriers do little more. Rather than provide any factual documentation to support their claims that approval of Verizon's application would cause their charges for DC power to increase, Allegiance and Focal simply offer a misleading comparison of federal and state power rates in New York and New England. They multiply the federal rates by 1.5 to create a fictitious "per fused amp" rate that they compare to the "per load amp" rate in the state tariffs. This comparison is meaningless. It incorrectly assumes that the ratio of "fused" power to "load" power in existing collocation arrangements is 1.5. This is contradicted by the collocators' own comments in this proceeding and in other proceedings that a collocator needing 40 amps of load power typically orders "A" and "B" feeds fused at 60 amps each, for a total of 120 fused amps. *See* Verizon Reply Comments, 9-10. This is a fused-to-load ratio of 3.0. In addition, the alleged ratio of 1.5 is contradicted by their own *ex parte* letter (at 3) that a collocator needing 30 amps load power will order A and B feeds fused at a total of 100 amps. This confirms Verizon's analysis, which assumes that collocators can reduce the billed amps by two thirds when converting power from "fused" under the federal tariffs to "load" under the state tariffs.²

Allegiance and Focal argue (at 3) that Verizon's proposal would require them to ameliorate the impact of the shift to state rates by reducing their power requirements. This is incorrect. Verizon demonstrated that collocators could reduce their power costs by over \$8 million simply by restating their power requirements on a load rather than on a fused basis *without any actual reduction in the amount of power they are drawing*. In particular, by allowing collocators to fuse power at 2.5 times load, the state tariffs would allow collocators with "grandfathered" expanded interconnection arrangements to convert to the state tariffs and interconnection agreements and maintain their current load requirements without losing the redundancy of the "A" and "B" feeds. In the example above, where the collocator currently has 40 total load amps spread across "A" and "B" feeds that are fused at 60 amps each (a fused-to-load ratio of 3.0), the collocator could reduce the fuses on each feed to 50 amps (a fused-to-load ratio of 2.5) while maintaining the same load of 40 amps, which could be carried entirely on either feed if the other feed failed. This would reduce the *billed* amps from 120 to 40 without any reduction in the power drawn by the customer.

² Allegiance and Focal are also patently wrong in arguing (at 4) that it is unreasonable for Verizon to charge for fused power under its federal tariffs for both feeds. They claim that "one feed is ordinarily used only for back-up" and therefore should not be assessed power charges. Verizon has examined many collocation arrangements, including those of Allegiance and Focal, and has found that they are generally drawing power from both feeds. Moreover, the type of equipment used by both Verizon and the collocators typically distributes the load evenly between both feeds. If there is a loss of power on a single feed, the other feed will carry the entire load through the internal processing of the equipment.

Attachment 2 provides specific examples of the reductions in power charges that could be achieved by these carriers in particular. Page 1 shows the total savings that each carrier could achieve given their current power requirements. Pages 2, 3, and 4 show examples of the reductions in power charges that each carrier would enjoy for specific collocation arrangements in New York, New England, and the Verizon South states. Where the carrier has previously submitted power-down requests, the exhibit shows the savings that they achieved under the federal tariffs by reducing the amount of fused amps as well as the additional savings they could achieve by converting to billing under the state tariffs on the basis of load amps. Even after previous power down requests, AT&T, Allegiance, and Focal could achieve substantial savings by converting from federal charges based on fused capacity to state charges based on load capacity, after they restate their load power requirements at one third of their current fused capacity. Page 5 shows that these carriers have the vast majority of their collocation arrangements in the Verizon South states, where the potential savings are the greatest. If the carriers would take the time to understand this rate structure and the flexibility it offers them when powering their collocated equipment, they would recognize that they stand to save a substantial amount of money. Verizon is not second-guessing the collocators' power requirements, but simply relying on the collocators' own assertions in state proceedings and their own actions when given the opportunity to restate power requirements due to changes in the state tariffs.

Verizon's section 214 application is a reasonable response to the arbitrage issue caused by federal and state physical collocation tariffs that offer virtually the same physical collocation services and that are being used interchangeably by collocators without regard to the jurisdiction of the facilities to which they are interconnecting. As Verizon has stated previously, approximately 87 percent of the cross-connects to federal expanded interconnection arrangements are used for interconnection to unbundled network elements. *See* Verizon Reply Comments, 25. Because these unbundled network elements are not interstate access arrangements, it is reasonable to provide supporting services and new physical collocation arrangements pursuant to state tariffs and interconnection agreements at state-approved rates.

Sincerely



Joseph DiBella

Attachments

ATTACHMENT 1

08/21/2002 02:17 PM -----

To: Michelle B. Lawrence/EMPL/MA/Verizon@VZNotes
cc: "Reynolds, Howard" <howard.reynolds@dsl.net>, "Smith, Lillian" <lillian.smith@dsl.net>
Subject: FW: DSL.Net - 214 Application Carrier Letter

Received. Thanks.

Thanks,

Michelle B. Lawrence
08/16/2002 03:32 PM
To: rae.bernier@dsl.net
cc: lillian.smith@dsl.net, schula.hobbs@dsl.net
Subject: DSL.Net - 214 Application Carrier Letter

Rae,

Attached please find information regarding Verizon's FCC filing to discontinue providing expanded interconnection through physical collocation in its federal tariffs for the Verizon East states. We will be providing additional detail concerning this proposed tariff change within the next few days.

As noted, comments may be directed to the FCC in writing or via e-mail.

To ensure that you have received this notification, please provide a positive, written response to this e-mail.

As always, I am available to discuss at (617) 743-6748.

Thank you,
Michelle

(See attached file: 214 Application Carrier Letter.doc)



- 214 Application Carrier Letter.doc

Information on the Verizon 214 Tariff Filing

1. Why are we filing?

Differences in regulatory activity in the state and federal jurisdictions have created inconsistencies in rate levels and rate structures between the state and federal tariffs for physical collocation that have been difficult for Verizon to reconcile.

Rather than continuing to try to maintain two sets of tariffs for essentially the same service, Verizon has decided to discontinue the offering of physical collocation in the federal expanded interconnection tariffs and to provide this service in the future exclusively through the state tariffs and interconnection agreements, except to the extent necessary to “grandfather” existing federal arrangements.

2. Under what authority is Verizon withdrawing physical collocation?

The Commission’s rules do not require incumbent local exchange carriers to provide expanded interconnection through physical collocation. *See* 47 C.F.R. § 64.1401(c). Rather, the rules require the incumbent local exchange carriers to offer expanded interconnection through virtual collocation, but give the carriers the option of offering physical collocation in lieu of virtual collocation.

3. Can I use a state arrangement to connect to access services?

The tariff provisions allow for customers to connect interstate switched access and special access services to state physical collocation arrangements. *See, e.g.,* illustrative Tariff FCC No. 11, Sections 6.1.3(A), 7.1.2(A).

4. Will expanded interconnection service still be available in the federal tariff?

Yes. Customers will still be able to order new virtual expanded interconnection services from the federal tariff.

5. How will I get physical collocation in the future?

All new physical collocation arrangements ordered after the effective date of the new FCC tariff must be ordered via the applicable state tariffs or interconnection agreements.

6. How will I augment an existing federal arrangement after the effective date of the tariff?

All augments to existing physical collocation arrangements ordered after the effective date of the tariff must be ordered via the applicable state tariffs or interconnection agreements.

7. What happens to my existing Federal Arrangement?

Verizon will “grandfather” existing physical expanded interconnection arrangements. *See, e.g.*, illustrative Tariff FCC No. 11, Section 28.1. Customers with physical expanded interconnection arrangements and related augments that are in service or on order as of the effective date of the tariff filing will have the option of continuing to be billed the rates from the existing federal tariff with the exception of DC power.

DC power for all federal arrangements will be billed out of the applicable state tariff upon the effective date of the FCC tariff.

Carriers with existing federal arrangements (completed and pending) will be afforded the opportunity to convert the entire arrangement to a state arrangement.

8. How will billing for DC power be handled?

DC Power will no longer be available from FCC tariffs and will be billed in accordance with applicable state tariffs. As such, billing will be based on load, not fuse. Customers wishing to restate their power requirements consistent with the 2.5x fusing available in the state tariffs must submit power clarification requests to Verizon as soon as possible, but in any event no later than 30 days after the tariff effective date. No further action is required for customers that have already submitted their power down or clarification requests. For arrangements where no power clarification information is received, billing will be adjusted based upon the standard 1.5x fusing that was used to provision the DC power. (For example, if an arrangement is currently billing 60 fused amps, it will be adjusted to 40 load amps if no clarification is received from the customer).

9. What does a customer have to do to convert from a federal arrangement to a state arrangement?

Within thirty (30) days following the tariff effective date, the customer must submit written or electronic notification to the Telephone Company at the same address/website it would normally submit applications for collocation. The notification must include the 11 character CLLI for the arrangement, the type of collocation to be converted (physical or SCOPE) and the total square footage or number of bays associated with the collocation arrangement.

10. What happens to a federal arrangement if converted to a state arrangement?

Nothing happens to a converted arrangement other than a change in billing.

11. Am I required to convert?

No, the decision is left up to each individual customer. The option to convert must be exercised within 30 days after the tariff effective date.

12. Can I elect to convert after the 30-day window?

No. Each customer needs to start evaluating their individual business plans now, prior to the tariff becoming effective, in order to meet the 30-day window.

13. Can I elect to convert some, but not all, of my collocation arrangements?

Yes.

14. What is the proposed effective date for the new FCC tariff?

The current schedule is to file the FCC tariff to be effective in early November 2002.

15. When will I see the changes on my billing?

You should begin seeing changes to your billing within 120 days after the tariff effective date. All billing for converted arrangements will be retroactive to the tariff effective date.

16. What happens to the NRCs (non-recurring charges) paid under the federal tariff for space preparation/construction?

Nothing happens to the NRCs paid for federal collocation arrangements. In New England (MA, ME, NH, RI & VT), Verizon has elected to provide credits for those arrangements that are converted from federal to state.

17. Why does the credit for conversion only apply to New England collocation arrangements?

Although Verizon is under no obligation to provide credits for conversions from federal to state tariffs, Verizon has elected to do so in New England. The conversion credit is limited to the New England states because space preparation/construction charges in the New England state tariffs are significantly different from those in the federal tariff. In the remaining Verizon jurisdictions there is minimal or no difference between federal and state rates or the rate structures are not comparable, e.g. non-recurring vs. recurring rates for space preparation/construction.

18. Will there be any impact to CFA inventory for converted arrangements?

No.

19. Where can I get more information on the filing?

Access this URL: http://gulfoss2.fcc.gov/prod/ecfs/comsrch_v2.cgi and then type in "02-237" (without the quotation marks) under "Proceeding" and then click the "Retrieve Document List".

Information on the Verizon 214 Tariff Filing (Vol. 2)

Below are actual questions asked by customers relating to Verizon's 214 filing:

1. If you are grand-fathering all other physical rates, why would I not get power grand-fathered as well?

All supporting services are billed based solely on forward-looking consumption – e.g., customers pay for the power they order and for new supporting services and facilities that they order such as cross-connects, augments, cable racking, etc. Therefore, going forward, all supporting services, including DC power will be billed under state rates.

2. Will we continue to pay only for terminations used, or will we be required to pay, as in the state tariffs for all terminations existing?

The situation will vary based on the applicable state tariff. Currently, all terminations are paid in advance in the VZ-South, NY & CT state and federal tariffs. This same requirement will exist in the MA state tariff once it is revised (docket DTE 01-20). For terminations in ME, NH, RI & VT the state tariff requires that that customers pay for terminations as they are used. Any future changes in the state rate structures will also apply to non-working cross-connects terminated at grandfathered federal arrangements.

3. If we augment prior to the effective date, will we have to pay for an augment?

You will be required to pay all of the charges under the current FCC tariff until the effective date of the new FCC tariff.

4. Will any service have to be added to the applicable state tariffs?

No. VZ-East state tariffs comply with all state and federal requirements.

5. If so, will the cost for collocation change?

The cost for providing collocation is contained in the applicable state tariff.

6. The Carrier Notice states, "Verizon will allow those arrangements (FCC order collocations) to continue under the charges for space and cross-connects in the federal tariffs." Further, the letter states; "DC power and new cross-connects will be provided...under applicable state tariffs..." Based on this notice and the approval of the FCC, if a carrier chooses to order additional cross-connects, it will come from the State Tariff - So, one collocation may have some cross connects billed from the FCC tariff and others from the State Tariff. Is this correct?

Yes.

7. Based on the quote from the notification letter above, will all current power charges be converted to State Tariff billing? If so, what is the impact?

Yes, all current power charges will be converted to state tariff rates. Direct comparison between rates cannot be made since the current FCC tariff rate structure does not permit fusing at 2.5 times load and is billed based upon fused amps not load amps. Carriers with existing federal arrangements will be notified and afforded a window of opportunity to restate their power requirements with consideration to the 2.5 fusing that is available in the state tariffs.

8. Just a few questions . . . I know we have a lot of sites under the FCC1 tariffs. And I understand that we will not lose those arrangements, and charges will remain the same unless we wish to convert to the State tariff. The sentence that states “DC power and new cross-connects will be provided to both converted and unconverted arrangements under the applicable state collocation tariffs and interconnection agreements”.....that does not mean that we are getting new CFA for existing arrangements does it?

Verizon doesn’t anticipate a need to change any existing CFAs as a result of this filing.

9. I was wondering if there is anyway to get a brief summary of the major differences between State and Federal Tariffs and how this will impact us?

VZ tariffs are available on-line at: www.verizon.com/tariffs to assist carriers in evaluating their own business needs and requirements.

10. Are the charges in the State tariffs cheaper than FCC tariffs?

VZ tariffs are available on-line at: www.verizon.com/tariffs to assist carriers in evaluating their own business needs and requirements.

11. Can you please forward me a menu of state tariff and charges (NH & Mass)?

VZ tariffs are available on-line at: www.verizon.com/tariffs to assist carriers in evaluating their own business needs and requirements.

12. Are there any services that will be impacted?

Expanded Interconnection through physical collocation is impacted.

13. I have been talking with the NH PUC, and they told me that there is now a 5 year depreciation on collocation space with Verizon, is this true?

No, it appears that there may be some confusion with the 5 year payment plan for NRC's which is not depreciation. See NHPUC84.

Page 116 of NH Order, July 6, 2001 states:

“Further, in order to foster the entrance of collocated CLECs, and in the interests of establishing just and reasonable rates for collocation, **we will allow all collocation NRCs to be amortized over a period of up to 5 years, at the CLEC's option, with a carrying charge equal to the overall cost of capital included in the cost study, for the unamortized balance.** As in any amortization process, Bell Atlantic would have recourse against a given CLEC in the event of failure to pay its recurring or unamortized non-recurring charges.”

14. How will this affect the collocation application that I submitted Wednesday?

Customers with physical expanded interconnection arrangements and related augments that are in service or on order as of the effective date of the tariff filing will have the option of continuing to be billed the rates from the existing federal tariff for space preparation and monthly space rental. Supporting services such as DC power will be billed out of the state tariffs and interconnection agreements.

ATTACHMENT 2—REDACTED

**CONTAINS PRIVILEGED AND CONFIDENTIAL
INFORMATION SUBJECT TO PROTECTIVE ORDER**